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Sale of Oil Technology to Soviets Is Faulted

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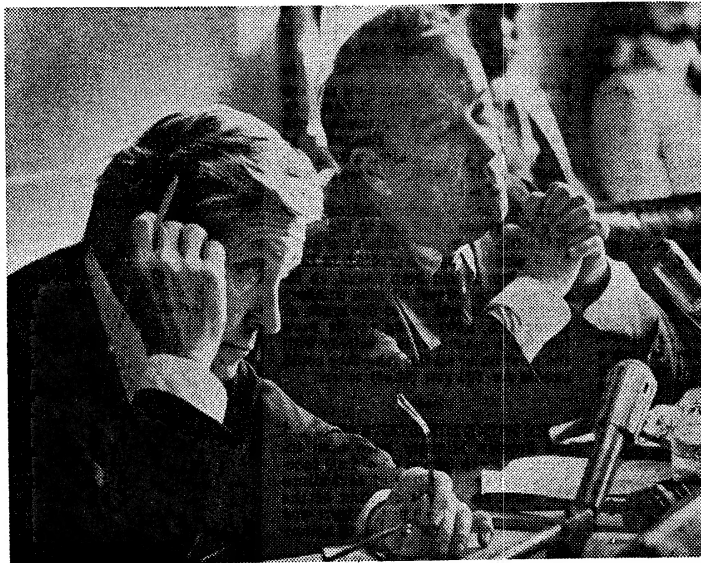
A senior Defense Department official and a Pentagon consultant testified yesterday that the Carter administration approved the sale of sophisticated drilling technology to the Soviet Union without coming to grips with the most important issue—whether or not it is in the U.S. national interest to assist Soviet oil and gas development.

Undersecretary of Defense for Research and Engineering William J. Perry told the Senate investigations subcommittee that there is "no doubt" that the controversial export of a complete plant for making rock drilling bits will give the Soviet Union an enhanced capability for producing oil.

Perry said the major policy question is the "profound economic and political impact" of the plant on the Soviet future rather than "a red herring" issue of diversion to military uses. He reported that late in August, the Pentagon recommended that export of the plant by Dresser Industries of Dallas be halted pending a review of overall U.S. policy toward Soviet petroleum development.

President Carter on Sept. 6 rejected advice from the Pentagon, Energy Department and his national security adviser, Zbigniew Brzezinski, that the sale be suspended. Siding with the Commerce and State departments, he allowed the export to go forward while he ordered a study, now under way, of the basic U.S. interest involved.

President J. Fred Bucy of Texas Instruments Inc., who studied the export in late August as a special Pentagon consultant and recommended against it, called sale of the plant and its technology to the Soviet Union a decision which "can change the course of history." Bucy said the drilling technology can assist the Soviet Union to develop their energy resources independent



By James K. W. Atherton—The Washington Post
Sens. Percy and Jackson during hearing on sale of oil drilling technology to the Soviets.

of further U.S. and Western support and may give Russia the capability in the late 1980s to compete aggressively with the United States in drilling operations in the major oil-producing areas of the world.

Bucy urged that the United States retain its options by withholding export of the plant until the broad question of aid to Soviet development is settled in a national debate.

The Soviet Union is the world's leading oil-producing country but according to some forecasts will be unable to produce enough to meet its needs and commitments in the mid-1980s. One school of thought in the government and elsewhere is that troubles for Russia are benefits to the United States and that Washington should do nothing to alleviate them. An opposing school of thought is that forestalling a future Soviet energy

crisis, and thereby easing the worldwide oil shortage, is in U.S. as well as Soviet interests.

Senior Vice President John J. Murphy of Dresser, the firm exporting the drilling equipment plant to the Soviet Union, told the subcommittee that a French firm contacted by the Soviet Union could have provided essentially the same deal if the American companies were ruled out of the running. Murphy said the Soviets are more active and sophisticated in deep-well drilling than Bucy's report to the Pentagon indicated.

Sens. Henry M. Jackson (D-Wash.) and Charles H. Percy (R-Ill.), chairman and ranking minority members of the investigations subcommittee, protested Pentagon foot-dragging in supplying information about the course of decision-making on the Dresser case.

According to staff investigator Peter M. Sullivan, the original Pentagon technical evaluator of the proposed sale, Dr. Lloyd Lehn of the Office of Defense Research and Engineering, prepare a written recommendation on May 25 that the export license be denied on military grounds. However, a higher-level official Col. John Hager, instructed Lehn to change his memo so that it only summarized technical facts and did not state a recommendation, according to Sullivan.

The investigator reported that the Pentagon on May 30 approved the initial Dresser export license, and that action was put through on a rush basis.

Sullivan reported that during the eight days before their approval, Pentagon officials in charge of the case received telephone calls from J. V. Jones, chairman of the board and chief operating officer of Dresser, and from Assistant Secretary of Commerce Frank Well urging speedy action. The investigator said Well's calls to the Pentagon were prompted by a call from Jones.

High-level officials of the Pentagon were not consulted in the May 30 approval, though they became involved later when the export ran into controversy. Perry said he is "not satisfied" with the performance of his office in handling the initial recommendation.